MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2022/2023

BEC1044 –MACROECONOMICS

(All sections / Groups)

5 JULY 2023
9.00 am – 11.00 am
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of 2 pages excluding the cover page with 4 questions only.
2. All questions carry equal marks and the distribution of the marks for each question is given.
3. Answer **ALL** questions.

Answer all questions.

QUESTION 1

Read Extract 1 and answer the following questions.

Extract 1

Johor Bahru-Singapore RTS Link project almost 33% completed

JOHOR BAHRU (April 5): Work on the Johor Bahru-Singapore Rapid Transit System (RTS) Link project is progressing well and has now reached 32.42% completion to include various components such as the depots, stations, land lines and marine lines.

State Works, Transportation and Infrastructure Committee chairman Mohamad Fazli Mohamad Salleh said the Johor government is committed to ensuring that the high-impact public transport project will be operational in 2026. He said that with the introduction of the service, some of the travelling challenges faced by Malaysians and Singaporeans would be resolved, as the train service can serve up to 10,000 passengers per hour in each direction. The RTS Link is a 4km shuttle service between Singapore at the Woodlands North Station and Malaysia at the Bukit Chagar Station here.

Source: https://www.bernama.com/en/general/news.php?id=2178997

Refer to **Extract 1** and answer the following questions.

(a) Interpret the type of fiscal policy used by the Malaysian government to build the RTS link. (3 marks)

(b) Sketch the impact of the policy mentioned in (a) by employing the AD-AS model. Interpret your AD-AS sketch. (6 marks)

(c) Based on **Extract 1**, predict Malaysia's budget in 2023. In 2030? (4 marks)

(d) Present **three** drawbacks of fiscal policy. (12 marks)

(Total: 25 marks)

QUESTION 2

Read Extract 2 and answer the following questions.

Extract 2

The case for a 'one and done' Fed rate hike grows as economy slows

WASHINGTON, April 14 (Reuters) - Economic data has begun to fill in the portrait of a U.S. economy that is losing momentum, with reports over the last seven days showing job growth, inflation, factory output and consumer spending all slowing down.

The combined impact hasn't caused Federal Reserve officials to call a halt to further rate increases, with policymakers still seen likely next month to raise the benchmark overnight interest rate by a quarter of a percentage point to the 5.00%-5.25% range, which would be the highest since the onset of the global financial crisis in 2007.

Continued ...

The possibilities of financial stress due to the recent failure of two regional U.S. banks, Signature Bank and Silicon Valley Bank, may add a deeper credit crunch on top of the anticipated impact of higher Fed policy rates.

Source : https://www.reuters.com/markets/rates-bonds/case-one-done-fed-rate-hike-grows-economy-slows-2023-04-14/

Refer to **Extract 2** and answer the following questions.

(a) Interpret the phrase "The combined impact hasn't caused Federal Reserve officials to call a halt to further rate increases". Sketch a graph to support your answer. (11 marks)

(b) Predict how the credit crunch might affect US' money market. (6 marks)

(c) Present two arguments that limit the precision of Federal Reserves' control of the money supply. (8 marks)

(Total: 25 marks)

QUESTION 3

OPEC+ is a group of countries that includes the members of the Organization of the Petroleum Exporting Countries (OPEC) as well as some non-OPEC countries, such as Russia, Kazakhstan, Azerbaijan, and Mexico. These countries collectively regulate the global oil market by coordinating their oil production levels.

(a) If OPEC+ decides to reduce the oil and gas supply, predict its impact on Indonesia's aggregate supply, the balance of payment (current account) and foreign exchange for Rupiah. (12 marks)

(b) Suppose that Jokowi, a resident of Indonesia, buys software from a company in Malaysia. Present the directions of trade and how the transaction will affect Indonesia's net capital outflow. (8 marks)

(c) Under what circumstances does purchasing-power-parity predict exchange rates for Jokowi's transaction in (b), and why is it not completely accurate? (5 marks)

(Total: 25 marks)

QUESTION 4

(a) Interpret the meaning of "society faces a short-run trade-off between unemployment and inflation". (5 marks)

(b) Present **four** explanations on what policies may help raise growth rates and long-run living standards of a developing economy. (20 marks)

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